

Debt collectors and payment allocation

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If you are a debtor with multiple debts, chances are you may have one debt collector collecting on a number of them simultaneously. If this is the case, there are some additional considerations that you should bear in mind. There are numerous stories out there where a debtor has negotiated a payment arrangement with respect to debt. The debtor thought (or assumed) that the payments were being applied in a manner that favored them, like paying one debt, maybe with the highest interest rate, first. They later learn the payments are being applied in a manner that is not in their favor.

As the debt collector is collecting on other debts of the debtor as well, the collector will most likely apply an equal portion of the payments received across the board. However, you can avoid this scenario. If you would prefer that one specific debt is paid first, indicate so on your payments. If the debtor designates that the payment is intended for a particular debt, the debt collector must pay that debt with the funds received. See 15 U.S.C 1692h. Keep in mind, getting the agreement in writing is best to avoid any future disagreement.

But, this is only one problem that can arise in this context—there could be more. If you are facing this issue, you should probably seek legal counsel to help guide you through the process. Feel free to give this office a call.

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